

IRWIN TOY LIMITED

NOTICE OF ANNUAL AND GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and a general meeting of shareholders of Irwin Toy Limited (hereinafter referred to as the "Company") will be held in the Territories Room of the Royal York Hotel, 100 Front Street West, Toronto, Ontario, on Friday, June 21, 1974, at 10:00 a.m. (Eastern Daylight Saving Time), for the following purposes:

- (1) receiving the annual report to shareholders, including the financial statements for the fiscal year ended January 31, 1974 and the auditors' report on such financial statements;
- (2) electing directors;
- (3) appointing auditors and fixing their remuneration;
- (4) considering and, if thought fit, confirming By-law A enacting a new general by-law for the Company; and
- (5) transacting such other business as may properly come before the meeting or any adjournment thereof.

The information circular for the meeting is appended to this notice. A copy of the annual report to shareholders and a form of proxy for the meeting are enclosed with this notice.

DATED at Toronto, Ontario, this 27th day of May, 1974.

By Order of the Board,

LOUIS BOARETTI,
Secretary.

NOTE: If you will be unable to attend the meeting in person, would you kindly complete and sign the enclosed form of proxy and return it in the stamped envelope provided for that purpose.



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INFORMATION CIRCULAR

This information circular is furnished in connection with the solicitation of proxies by the management of Irwin Toy Limited (hereinafter referred to as the "Company") for use at the annual and general meeting of shareholders of the Company called for June 21, 1974 (hereinafter referred to as the "Meeting"). It is expected that the solicitation of proxies will be primarily by mail, but proxies may also be solicited personally by regular employees of the Company. The cost of the solicitation will be borne by the Company.

PROXIES

In order to be voted at the Meeting, a proxy must be received by the Secretary of the Company no later than the time of the Meeting. A proxy may be revoked at any time by the person giving it to the extent that it has not been exercised.

The persons named in the enclosed form of proxy will vote all shares in respect of which they are appointed to act and, subject to the provisions of The Business Corporations Act of Ontario, they will vote such shares in accordance with any specification made by the shareholders appointing them. If no specification is made by any shareholder with respect to the confirmation of By-law A enacting a new general by-law for the Company, his shares will be voted in favour of the confirmation of By-law A.

Every proxy given to any of the persons named in the enclosed form of proxy will confer discretionary authority with respect to amendments or variations to the matters identified in the notice of the Meeting and with respect to any other matters that may properly come before the Meeting. The Company's management does not presently know of any matters to come before the Meeting other than the matters identified in the notice of the Meeting. If any such matters that are not known should properly come before the Meeting, every such proxy will be voted on such matters in accordance with the best judgment of the person voting.

Every shareholder has the right to appoint a person to act on his behalf at the Meeting other than any of the persons named in the enclosed form of proxy. To exercise this right, the shareholder should insert his nominee's name in the blank space provided for such purpose in the enclosed form of proxy or else the shareholder should prepare another proxy in proper form appointing his nominee.

VOTING OF SHARES

Each shareholder of record at the time of the Meeting will be entitled to one vote for each share held.

As of May 15, 1974 the Company had outstanding 1,470,477 Class A Convertible Common Shares without par value (hereinafter referred to as "Class A Shares") and 972,323 Class B Convertible Common Shares without par value (hereinafter referred to as "Class B Shares"). As of such date Arnold B. Irwin owned beneficially one Class A Share and 293,553 Class B Shares and S. Macdonald Irwin owned beneficially 293,554 Class B Shares, i.e., each of them was the owner of approximately 12% of the total number of shares of the Company then outstanding.

ELECTION OF DIRECTORS

Six directors are to be elected at the Meeting. Each director will hold office until the next annual meeting of shareholders of the Company or until his or her successor is duly elected or appointed. The persons named in the enclosed form of proxy intend to vote for the election as directors of the proposed nominees listed on the next page. These nominees are the present members of the Company's board of directors. The Company's management does not contemplate that any of such nominees will be unable to serve as director, but, if such should be the case at the time of the Meeting, the persons named in the enclosed form of proxy intend to vote for such other nominees as in their best judgment they deem advisable.

Following is the name of each person proposed to be nominated for election as a director, the principal occupation of each nominee, the year when each nominee first became a director, and the number of shares of the Company beneficially owned, directly or indirectly, by each nominee as of May 15, 1974:

<u>Name</u>	<u>Principal occupation</u>	<u>First year a director⁽¹⁾</u>	<u>Class A Shares owned</u>	<u>Class B Shares owned</u>
Louis Boaretti	Vice-President, Finance and Secretary of the Company	1962		13,226
Edward J. M. Huycke, Q.C.	Partner in the law firm of Osler, Hoskin & Harcourt	1969		1,000
Arnold B. Irwin ⁽²⁾⁽⁴⁾⁽⁵⁾⁽⁶⁾	President of the Company	1954	1	293,553
Beatrice I. Irwin	Director of the Company	1954		6,382
S. Macdonald Irwin ⁽³⁾⁽⁴⁾⁽⁵⁾	Executive Vice-President of the Company	1954		293,554
C. Edward Medland	President of Wood Gundy Limited (investment dealer)	1969	1,000	2,000

NOTES:

- (1) Louis Boaretti, Arnold B. Irwin, Beatrice I. Irwin and S. Macdonald Irwin each was a director of Irwin Specialties Limited, a predecessor of the Company, from the year indicated until 1969 when Irwin Specialties Limited amalgamated with three other corporations to form the Company. Upon the amalgamation these persons became directors of the Company.
- (2) Lynn M. Irwin, the wife of Arnold B. Irwin, was the beneficial owner of 124,094 Class B Shares as of May 15, 1974.
- (3) Elinor J. Irwin, the wife of S. Macdonald Irwin, was the beneficial owner of 124,094 Class B Shares as of May 15, 1974.
- (4) Warmondy Investments Limited, a corporation of which all the shares are held by trustees (including S. Macdonald Irwin and Lynn M. Irwin) for the children and other issue of Arnold B. Irwin and the spouses of such children, was the beneficial owner of 200,000 Class A Shares as of May 15, 1974.
- (5) Inamere Holdings Limited, a corporation of which all the shares are held by trustees (including Arnold B. Irwin and Elinor J. Irwin) for the issue of S. Macdonald Irwin and the spouses of such issue, was the beneficial owner of 200,000 Class A Shares as of May 15, 1974.
- (6) Sons of Arnold B. Irwin were the beneficial owners of an aggregate of 400 Class A Shares as of May 15, 1974.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Messrs. Harbinson, Glover & Co., chartered accountants, as auditors of the Company and to vote for authorization of the board of directors to fix the remuneration of the auditors. The auditors will hold office until the next annual meeting of shareholders of the Company or until their successors are duly appointed.

NEW GENERAL BY-LAW

At a meeting on May 16, 1974, the board of directors enacted By-law A to become effective upon confirmation at the Meeting by at least two-thirds of the votes cast by the shareholders present or represented by proxy. By-law A would provide a new general by-law for the Company in substitution for the Company's present general by-law.

The Company's present general by-law was enacted prior to 1971 when The Business Corporations Act of Ontario came into force and the principal reason for the enactment of By-law A is to bring the Company's general by-law into conformity with The Business Corporations Act. However, the new general by-law also contains some minor changes from the present general by-law which, for the most part, were made in order to up-date corporate procedures and to clarify the language of the present by-law.

The new general by-law provides, among other changes, that the board of directors may fix record dates for determination of the shareholders entitled to vote at meetings and entitled to receive notices of meetings and copies of the annual financial statements. In addition, the new by-law (paragraph 39) specifies the re-

muneration to be paid to directors. The new by-law does not, unlike the present general by-law, require directors to own one or more shares of the Company.

Under The Business Corporations Act most provisions of the new general by-law may be amended or repealed by a majority of the votes cast at a meeting of shareholders called for such purpose, but several provisions may not be amended or repealed except by at least two-thirds of the votes cast at such a meeting. The latter provisions include paragraph 25 permitting the creation of an executive committee if the number of directors were to be increased in the future to more than six, paragraph 42 dealing with loans to employees, paragraph 45 providing for the office of chairman of the board, and paragraph 58 relating to the payment of commissions or the allowance of discounts in connection with the issuance of shares.

The text of By-law A, including the new general by-law (which will be known as By-law No. 1), is set forth in the schedule to this information circular.

REMUNERATION OF SENIOR MANAGEMENT

The aggregate direct remuneration paid by the Company to its directors and senior officers in respect of the fiscal year ended January 31, 1974 was \$166,716. The estimated aggregate cost to the Company in such fiscal year of all pension benefits proposed to be paid to its senior officers in the event of their retirement at normal retirement age was \$11,791.

During the period from February 1, 1973 to May 15, 1974, the following options to purchase shares under the Company's incentive stock option plan were exercised by senior officers of the Company :

<u>Date of exercise</u>	<u>Number of shares</u>	<u>Exercise price per share</u>	<u>Range of market price* of shares during the preceding 30 days</u>		
February 1, 1973	800	\$ 4.75	\$14.50	—	\$15.87
March 8, 1973	800	\$10.37	\$13.13	—	\$14.50
April 23, 1973	800	\$ 4.75	\$13.50	—	\$14.00
May 1, 1973	200	\$ 4.75	\$11.25	—	\$14.00
May 8, 1973	800	\$ 4.75	\$11.25	—	\$14.00
June 29, 1973	200	\$ 4.75	\$ 7.13	—	\$ 8.50
August 14, 1973	200	\$ 4.75	\$ 6.00	—	\$ 6.75

*Toronto Stock Exchange

May 27, 1974.

SCHEDULE

BY-LAW A

By-law No. I and By-law No. IV of Irwin Toy Limited be and the same are hereby repealed and the following be and the same is hereby substituted therefor:

"BY-LAW NO. I

a by-law relating generally to the transaction
of the business and affairs of Irwin Toy Limited

Interpretation

1. *Definitions.* In this by-law and all other by-laws of the Corporation unless the context requires otherwise:
- (a) "the Act" means The Business Corporations Act (Ontario) or any statute which may be substituted therefor, in either case as amended from time to time;
 - (b) "articles" means the letters patent of amalgamation of the Corporation dated March 26, 1969, as amended from time to time, or any restatement of articles of the Corporation as amended from time to time;
 - (c) "board" means the board of directors of the Corporation;
 - (d) "Corporation" means Irwin Toy Limited;
 - (e) "director" means a member of the board;
 - (f) "general meeting of shareholders" means any meeting of shareholders of the Corporation other than an annual meeting of shareholders and includes a meeting of any class or series of any class of shareholders;
 - (g) "meeting of shareholders" means an annual meeting and/or a general meeting of shareholders;
 - (h) "non-business day" means Saturday, Sunday and any other day that is a holiday as defined in The Interpretation Act (Ontario);
 - (i) "person" includes an individual, body corporate, partnership, trust and unincorporated association;
 - (j) words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders; and
 - (k) all terms used in this by-law that are also used in the Act shall have the meanings given to such terms in the Act.

Head Office

2. Until changed by special by-law, the head office of the Corporation shall be in the Municipality of Metropolitan Toronto in the Province of Ontario and at such location therein as the board may from time to time determine by resolution.

Meetings of Shareholders

3. *Annual Meeting.* The annual meeting of shareholders of the Corporation shall be held, on such day in each year and at such time and at such place within Ontario, or elsewhere if permitted by the articles, as the board or the chairman of the board or the president may from time to time determine, for the purposes of receiving the financial statement and auditor's report thereon as required by the Act to be laid before the shareholders at an annual meeting, electing directors, appointing the auditor and fixing or authorizing the board to fix his remuneration, and the transaction of such other business as may properly be brought before the meeting. At least 21 days before the date of every annual meeting, a copy of the financial statement and a copy of the auditor's report thereon to be presented at the meeting shall be mailed, postage prepaid, to each shareholder of record on the books of the Corporation in accordance with paragraph 4.

4. *Record Date for Receipt of Financial Statement.* The board may fix a date, preceding the date of the annual meeting of shareholders by not less than 21 days nor more than 50 days, for the determination of the shareholders entitled to receive the financial statement of the Corporation and a copy of the auditor's report thereon to be presented at the meeting. If no such record date is fixed by the board, the record date shall be at the close of business on the day next preceding the day on which the financial statement is sent.

5. *General Meeting.* The board or the chairman of the board or the president shall have the power at any time to call a general meeting of shareholders to be held on such date and at such time and at such place within Ontario, or elsewhere if permitted by the articles, as may be determined by the board or the person calling the meeting.

6. *Notices.* Notice of the date, time and place of every meeting of shareholders shall be given, not less than 21 days nor more than 50 days before the date on which the meeting is to be held, to the auditor of the Corporation, to each person who at the close of business on the record date for notice appears on the records of the Corporation as the holder of one or more shares carrying the right to vote at the meeting, and to each director. Notice of a general meeting of shareholders shall state the general nature of the business which is to be transacted at it. A meeting of shareholders may be held at any time without notice if all the shareholders entitled to vote thereat are present in person or represented by proxy or those not so present or represented by proxy waive such notice or otherwise consent to such meeting being held, and if the auditor is present or waives such notice or otherwise consents to such meeting being held.

7. *Record Date for Notice.* The board may fix a date, preceding the date of any meeting of shareholders by not less than 21 days nor more than 50 days, for the determination of the shareholders entitled to notice of the meeting. If no such record date for notice is fixed by the board, the record date for notice shall be the day next preceding the day on which notice is given or sent.

8. *Chairman and Secretary.* The chairman of the board, or, if there is no chairman of the board in office or he is absent, the president, or otherwise the most senior vice-president present who is a shareholder, or, in the absence of such a vice-president, any shareholder selected by the meeting, shall preside at any meeting of shareholders. The secretary of the Corporation shall act as secretary at any meeting of shareholders or, if the secretary of the Corporation is absent, the chairman of the meeting shall appoint a person, who need not be a shareholder, to act as secretary of the meeting.

9. *Persons Entitled to be Present.* The only persons entitled to attend a meeting of shareholders shall be those entitled to vote thereat, the directors of the Corporation, the auditor of the Corporation and others who, although not entitled to vote at the meeting, are entitled or required under any provision of the Act, the articles or the by-laws of the Corporation to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

10. *Quorum.* Two or more persons present in person and holding or representing by proxy not less than 30% of the outstanding shares of the Corporation carrying voting rights thereat shall constitute a quorum for the transaction of business at any meeting of shareholders.

11. *Right to Vote.* At each meeting of shareholders every shareholder shall be entitled to vote who on the record date for voting appears on the records of the Corporation as the holder of one or more shares carrying the right to vote at such meeting; save that, if any share has been mortgaged or hypothecated, the person who mortgaged or hypothecated such share (or his nominee appointed by proxy) is entitled to vote at each meeting of shareholders in respect thereof unless in the instrument creating the mortgage or hypothec he has expressly empowered the holder of such mortgage or hypothec to vote in respect of such share, in which case, subject to the articles, such holder (or his nominee appointed by proxy) is entitled to vote in respect of such share upon filing with the secretary of the meeting sufficient proof of the terms of such instrument.

12. *Record Date for Voting.* The board may fix in advance of any meeting of shareholders a date and time, not more than two days, excluding non-business days, before the date of the meeting, as the record date for the determination of the shareholders entitled to vote at the meeting, but if no such record date is fixed by the board the record date for voting shall be the time of the taking of the vote.

13. *Personal Representatives.* Where a person holds shares as an executor, administrator, guardian, tutor, trustee, receiver or liquidator or the committee of or the curator to a mental incompetent, that person or his nominee appointed by proxy, upon filing with the secretary of the meeting sufficient proof of his appointment, shall be entitled to vote at all meetings of shareholders in respect of the shares so held by him.

14. *Proxies.* Every shareholder, including a shareholder that is a body corporate, entitled to vote at a meeting of shareholders may by means of a proxy appoint a person, who need not be a shareholder, as his nominee to attend and act at the meeting in the manner, to the extent and with the power conferred by the proxy. The proxy shall be in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a body corporate, under its corporate seal or by an officer or attorney thereof duly authorized, and shall conform with the requirements of the Act. The proxy shall cease to be valid after the expiration of one year from the date thereof. The proxy shall be deposited with the secretary of the meeting before any vote is cast under its authority, or before such earlier time, not exceeding 48 hours (excluding non-business days) preceding the meeting, as the board may fix by resolution.

15. *Joint Shareholders.* Where two or more persons hold the same share jointly, any one of such persons present or represented by proxy at a meeting of shareholders has the right in the absence of the other or others to vote in respect of such share, but, if more than one of such persons is present or represented by proxy, they shall vote together as one on the share jointly held by them.

16. *Scrutineers.* At each meeting of shareholders one or more scrutineers, who need not be shareholders of the Corporation, may be appointed by a resolution of the meeting or by the chairman to serve at the meeting.

17. *Votes to Govern.* Unless otherwise required by the articles or by-laws of the Corporation or by law, all questions proposed for the consideration of shareholders at a meeting of shareholders shall be determined by the majority of the votes cast.

18. *Show of Hands.* Subject to the provisions of the Act, any question at a meeting of shareholders shall be decided by a show of hands unless a poll thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a poll thereon is so required or demanded a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question and the result of the vote so taken shall be the decision of the shareholders upon the said question.

19. *Polls.* On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chairman of the meeting may require or any person entitled to vote on the question may demand a poll thereon. A poll so required or demanded shall be taken in such manner as the chairman shall direct. A requirement or demand for a poll may be withdrawn at any time prior to the taking of the poll. Upon a poll each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the poll so taken shall be the decision of the shareholders upon the said question.

20. *Casting Vote.* In case of an equality of votes at any meeting of shareholders either upon a show of hands or upon a poll, the chairman of the meeting shall be entitled to a second or casting vote.

21. *Adjournment.* The chairman presiding at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place.

Directors

22. *Duties of Directors.* The board shall manage or supervise the management of the affairs and business of the Corporation.

23. Qualifications of Directors.

- (a) A majority of the directors shall be resident Canadians.
- (b) No person shall be elected or appointed a director if he is
 - (i) under 18 years of age, or
 - (ii) an undischarged bankrupt or a mental incompetent.
- (c) At least two of the directors shall be persons who are not officers or employees of the Corporation or of any other body corporate that is deemed under the Act to be affiliated with the Corporation.
- (d) A director need not be a shareholder of the Corporation.

24. Number of Directors and Quorum. Until changed by special by-law, the board shall consist of six members of whom three shall constitute a quorum for the transaction of business. Notwithstanding vacancies, the remaining directors may exercise all the powers of the board so long as a quorum of the board remains in office.

25. Executive Committee. Whenever the board consists of more than six directors, the board may elect from among its number an executive committee to be composed of not fewer than three directors, of whom a majority shall be resident Canadians, which committee may exercise all the powers of the board, subject to any restrictions imposed from time to time by the board. All action of the executive committee shall be reported to the board at its meeting next succeeding such action. Unless otherwise ordered by the board, the executive committee shall have power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure. No business shall be transacted by an executive committee except at a meeting of its members at which a quorum is present and at which a majority of the members present are resident Canadians.

26. Action by the Board. The board shall make all determinations and take all action in exercise of its powers by or pursuant to a by-law or resolution either passed at a meeting of directors at which a quorum is present and at which a majority of the directors present are resident Canadians or consented to by the signatures of all the directors then in office if constituting a quorum.

27. Election and Term.

(a) Directors shall be elected yearly at the annual meeting of shareholders of the Corporation to hold office until the next annual meeting of shareholders. Each director then in office shall retire, but, if qualified, shall be eligible for re-election. The election may be by a resolution carried by a show of hands unless a poll is demanded by any shareholder and if a poll is demanded such election shall be by ballot. If an election of directors is not held at the annual meeting of shareholders, the directors then in office shall continue in office until their successors are elected.

- (b) The election or appointment of a person as a director shall not be effective unless,
 - (i) he was present at the meeting when he was elected or appointed and did not refuse at the meeting to act as a director; or
 - (ii) he consented in writing before his election or appointment or within ten days thereafter to act as director.

28. Removal of Directors. The shareholders may, by resolution passed by a majority of the votes cast at a general meeting of shareholders duly called for that purpose, remove any director and may at that meeting elect a qualified person in his stead for the remainder of his term.

29. Vacation of Office. A director may resign his office by notice in writing delivered or sent to the secretary of the Corporation and such resignation shall become effective on receipt thereof or on such later date as may be specified in such notice. A director shall forthwith cease to hold office as a director should he become a bankrupt or be found to be a mental incompetent.

30. Vacancies. If a vacancy shall occur in the board otherwise than as a result of an increase in the number of directors, the remaining directors if constituting a quorum may appoint a qualified person to fill the vacancy for the remainder of the term. In the absence of a quorum the remaining directors shall forthwith call a meeting of shareholders to fill the vacancy. Where the number of directors is increased, any vacancy resulting from such increase shall be filled by election at a meeting of shareholders.

31. *Calling of Meetings.* A meeting of the board may be held at any time upon call by the board, the chairman of the board, the president, or any two directors. Notice of every meeting so called shall be given to each director not less than 48 hours before the time when the meeting is to be held and need not be in writing ; provided that no notice of a meeting shall be necessary if all the directors are present or if those absent waive notice of or otherwise signify their consent to the holding of such meeting.

32. *Meetings by Telephone.* Any director may participate in a meeting of the board of directors or of the executive committee through the use of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, if all the directors consent to the holding of meetings in such manner.

33. *Regular Meetings.* The board may appoint a day or days in any month or months for the holding of regular meetings at a specified hour and place. A copy of any resolution by the board fixing the time and place of regular meetings of the board shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting.

34. *Auditor's Attendance at Meetings.* The auditor of the Corporation shall be entitled to attend and be heard at meetings of the board on matters relating to his duties as auditor.

35. *First Meeting of the New Board.* Each newly-elected board may, without notice, hold its first meeting for the purpose of organization and the election and appointment of officers immediately following the meeting of shareholders at which such board was elected, provided that a quorum of directors is present.

36. *Place of Meeting.* Meetings of the board and of the executive committee may be held at the head office of the Corporation or any other place within or outside Ontario, but in any financial year of the Corporation a majority of the meetings of the board and a majority of the meetings of the executive committee shall be held within Canada. If a majority of the directors participating by telephone in any meeting of the board or of the executive committee are then in Canada, the meeting shall be deemed to have been held in Canada.

37. *Votes to Govern.* At all meetings of the board every question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes the chairman of the meeting shall be entitled to a second or casting vote.

38. *Chairman and Secretary.* The chairman of the board, or, if there is no chairman of the board in office or he is absent, the president, or otherwise the most senior vice-president present who is a director, or, in the absence of such a vice-president, any director selected by the meeting, shall preside at any meeting of the board. The secretary of the Corporation shall act as secretary at any meeting of the board and, if the secretary of the Corporation is absent, the chairman of the meeting shall appoint a person, who need not be a director, to act as secretary of the meeting.

39. *Remuneration and Expenses.* Each director who is not an officer or employee of the Corporation shall be remunerated for his services as a director at the rate of one thousand dollars (\$1,000) per year (payable in quarterly instalments or in such other periodic instalments as the board may from time to time determine) plus a fee of two hundred dollars (\$200) for each meeting that he attends of the board or of any committee of the board of which he is a member. In addition, each director, whether or not he is an officer or employee, shall be paid such sums in respect of the out-of-pocket expenses incurred by him in attending meetings of the board, meetings of any committee of the board of which he is a member, or meetings of shareholders, or otherwise incurred by him in connection with the performance of his duties as a director, as the board may from time to time determine. Nothing herein contained shall preclude any director from receiving remuneration for serving the Corporation as an officer or employee or in any other capacity.

40. *Interest of Directors in Contracts.* Subject to the provisions of the Act, it shall be the duty of every director of the Corporation who has, directly or indirectly, any material interest in any material contract or transaction to which the Corporation or a subsidiary thereof is or is to be a party, other than a contract or transaction in which his interest is limited solely to his remuneration as a director, officer or employee, to disclose his interest in such contract or transaction in accordance with the requirements of the Act and to refrain from voting in respect

thereof at any meeting of the board, and any director so required to disclose his interest will not be counted as being present at the meeting for the purpose of determining whether a quorum is present at the time a vote is taken in respect of the contract or transaction in which he has disclosed his interest.

Subject to the foregoing, no director acting honestly and in good faith shall be disqualified by his office from contracting or otherwise dealing with the Corporation, and no such director who has, directly or indirectly, any interest in any contract or transaction to which the Corporation or a subsidiary thereof is or is to be a party shall be accountable, by reason of his holding the office of director, to the Corporation or to its shareholders for any profit or gain realized from the contract or transaction, and the contract or transaction shall not be voidable by reason only of the director's interest therein if the contract or transaction was in the best interests of the Corporation or such subsidiary at the time it was entered into.

41. *Audit Committee.* At the first meeting of the board after each election of directors, the board shall elect from among its members an audit committee composed of not fewer than three directors, of whom a majority shall be persons who are not officers or employees of the Corporation or of any other corporation that is deemed under the Act to be affiliated with the Corporation. Such committee shall hold office until the next annual meeting of shareholders, and the board shall fill any vacancies on the committee occurring from time to time. A chairman of the audit committee shall be elected by its members from among themselves. The annual financial statement of the Corporation shall be submitted to the audit committee for review, and the auditor shall have the right to appear before any meeting of the audit committee and to cause a meeting of the committee to be convened, and he shall appear before the committee when required to do so by the committee.

42. *Loans to Employees.* The Corporation may from time to time when authorized by the board :

- (a) make loans to bona fide full-time employees of the Corporation, whether or not they are shareholders or directors, with a view to enabling them to purchase or erect dwelling houses for their own occupation, and may take from such employees mortgages or other security for the repayment of such loans ;
- (b) provide, in accordance with a scheme for the time being in force, money by way of loan for the purchase of or subscription for shares of the Corporation by trustees, to be held by or for the benefit of bona fide employees of the Corporation, whether or not they are shareholders or directors ; or
- (c) make loans to bona fide employees of the Corporation other than directors, whether or not they are shareholders, with a view to enabling them to purchase or subscribe for shares of the Corporation to be held by them by way of beneficial ownership.

Officers

43. *Election and Appointment.* At the first meeting of the board after each election of directors, the board shall elect or appoint a president and a secretary and may elect or appoint a chairman of the board, one or more vice-presidents, a treasurer, and such other officers as the board may determine including one or more officers as assistants to any other officer or officers. In default of any such election or appointment the then incumbent shall hold office until his successor is elected or appointed, or until he shall resign the office. The chairman of the board must be a member of the board but the president and other officers need not be members of the board. One person may hold more than one office. A vacancy occurring from time to time in any office may be filled by the board.

44. *Term of Office and Remuneration.* In the absence of written agreement to the contrary, the board may remove at its pleasure any officer of the Corporation. The terms of employment and remuneration of the president and other officers elected or appointed by it shall be settled from time to time by the board.

45. *Chairman of the Board.* If elected or appointed, the chairman of the board shall, if present, preside at all meetings of the board and of shareholders. In addition, the chairman of the board shall perform such other duties and exercise such other powers as the board may from time to time assign to him. If there is no chairman of the board in office, or during the absence or disability of the chairman of the board, the president shall assume all of the powers and duties of the chairman of the board.

46. *President.* The president shall be (and may be designated as) the chief executive officer of the Corporation and, subject to the authority of the board, shall be charged with the general supervision of the business and affairs of the Corporation.

47. Vice-President. During the absence or disability of the president his duties shall be performed and his powers may be exercised by the most senior vice-president who is present. If a vice-president exercises any such duty or power, the absence or disability of the president shall be presumed with reference thereto. Each vice-president shall also perform such other duties and exercise such other powers as the president or the board may from time to time assign to him. Any vice-president may be designated as an executive vice-president or otherwise so as to indicate his seniority or function.

48. Secretary. The secretary shall give, or cause to be given, all notices required to be given to shareholders, directors, the auditor and members of committees; he shall attend all meetings of the directors and of the shareholders and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings at such meetings; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and other instruments belonging to the Corporation other than those required to be kept by another officer or agent appointed for that purpose; and he shall perform such other duties as the board or the president may from time to time assign to him.

49. Treasurer. The treasurer shall keep proper books of account and accounting records with respect to all financial and other transactions of the Corporation, and under the direction of the board and the president shall be responsible for the deposit of money, the safekeeping of securities and the receipt and disbursement of the funds of the Corporation. He shall render to the board and to the president, whenever requested, an account of all his transactions as treasurer and of the financial position of the Corporation and he shall perform such other duties as the board or the president may from time to time assign to him.

50. Other Officers. The duties of all other officers of the Corporation shall be such as the terms of their engagement call for or the board or the president require of them. Any of the powers and duties of an officer to whom another officer has been appointed as an assistant may be exercised and performed by such assistant officer, unless the board or the president otherwise directs.

51. Agents and Attorneys. The board shall have power from time to time to appoint agents or attorneys for the Corporation in or out of Ontario with such powers of management or otherwise (including the power to sub-delegate) as the board may determine.

52. Variation of Duties. From time to time the board may vary, add to or limit the powers and duties of any officer, agent or attorney of the Corporation.

Protection of Directors, Officers and Others

53. Indemnity of Directors, Officers and Employees. Every director, officer and employee of the Corporation and his heirs, executors, administrators and other legal personal representatives shall from time to time be indemnified and saved harmless by the Corporation from and against,

- (a) any liability and all costs, charges and expenses that he sustains or incurs in respect of any action, suit or proceeding that is proposed or commenced against him for or in respect of anything done or permitted by him in respect of the execution of his duties; and
- (b) all other costs, charges and expenses that he sustains or incurs in respect of the affairs of the Corporation;

provided that no director or officer of the Corporation shall be indemnified by the Corporation in respect of any liability, costs, charges or expenses that he sustains or incurs in or about any action, suit or other proceeding as a result of which he is adjudged to be in breach of any duty or responsibility imposed upon him under the Act or under any other statute unless, in an action brought against him in his capacity as director or officer, he has achieved complete or substantial success as a defendant.

54. Insurance. Subject to the provisions of the Act, the Corporation may purchase and maintain such insurance for the benefit of its directors, officers or employees as the board may from time to time determine.

Banking Arrangements and Execution of Instruments

55. *Banking Arrangements.* The banking business of the Corporation, or any part thereof, shall be transacted with such bank, trust company or other firm or body corporate as the board may designate, appoint or authorize from time to time and all such banking business, or any part thereof, shall be transacted on the Corporation's behalf by such one or more officers or other persons as the board may designate, direct or authorize from time to time and to the extent thereby provided.

56. *Execution of Instruments.* Instruments requiring the signature of the Corporation may be signed by two persons, one of whom holds the office of chairman of the board, president, vice-president or director and the other of whom holds one of the said offices or any other office created by the by-laws of the Corporation or the board. The secretary or any assistant secretary or in their absence any other officer may certify under the corporate seal copies of any by-law, resolution, minute or other document relating to the Corporation and any officer may sign a certificate under the corporate seal as to matters of fact in connection with the Corporation within the purview of authority of such officer. Instruments so signed shall be binding upon the Corporation without further authorization or formality. Notwithstanding the foregoing, the board may at any time and from time to time direct the manner in which, including the use of facsimile reproductions of any or all signatures, and the person or persons by whom any particular instrument or class of instruments or instruments in general shall or may be signed. The corporate seal shall be affixed to any instrument on which the seal is required. For the purpose of this paragraph "instruments" includes contracts, deeds, mortgages, transfers, assignments, proxies, obligations, certificates and any other documents.

Shares

57. *Allotment.* The board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation, including any shares created by articles of amendment increasing or otherwise varying the capital of the Corporation, in such manner and to such persons or class of persons as the board shall determine.

58. *Payment of Commissions.* The board may authorize the payment of commissions or the allowance of discounts to persons in consideration of their subscribing or agreeing to subscribe, whether absolutely or conditionally, for shares of the Corporation or procuring or agreeing to procure subscriptions, whether absolute or conditional, for such shares, but no such commission or discount shall exceed 25% of the amount of the subscription price.

59. *Share Certificates.* Every shareholder shall be entitled, without payment, to a share certificate stating the number and class of shares held by him as shown on the records of the Corporation. Subject to the provisions of the Act, share certificates shall be in such form as the board shall from time to time approve. Share certificates shall be signed by two officers of the Corporation in accordance with paragraph 56 and need not be under the corporate seal; provided that certificates representing shares in respect of which a transfer agent and registrar (which term shall include a branch transfer agent and registrar) have been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and registrar. If authorized by resolution of the board, the corporate seal of the Corporation and the signature of one of the signing officers, or, in the case of share certificates representing shares in respect of which a transfer agent and registrar have been appointed, the signatures of both signing officers, may be printed, engraved, lithographed or otherwise mechanically reproduced in facsimile upon share certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. Share certificates executed as aforesaid shall be valid notwithstanding that one or both of the officers whose signature (whether manual or facsimile) appears thereon no longer holds office at the date of issue or delivery of the certificate.

60. *Replacement of Share Certificates.* The board may by resolution prescribe, either generally or in a particular case, the conditions as to indemnity, evidence of title and loss and other reasonable requirements upon satisfaction of which a new share certificate may be issued in lieu of and upon cancellation of a share certificate which has become mutilated or in substitution for a certificate which has been lost, apparently destroyed or wrongfully taken.

61. *Transfer Agents and Registrars.* The board may from time to time by resolution appoint a registrar to keep the register of holders of any class of securities of the Corporation and a transfer agent to keep the register of transfers of such securities and may also appoint one or more branch registrars or transfer agents to keep branch registers, but one person may be appointed both registrar and transfer agent. The board may at any time terminate the appointment of any registrar or transfer agent or branch registrar or branch transfer agent.

62. *Registration of Transfers.* Subject to the provisions of the Act, no transfer of shares shall be registered in a register of transfers or branch register of transfers except upon surrender of the certificate representing such shares with a transfer endorsed thereon or delivered therewith duly executed by the registered holder or by his attorney or successor duly appointed, together with such assurance or evidence of signature, identification and authority to transfer as the board may from time to time prescribe, and upon payment of all applicable taxes and compliance with such restrictions on transfer as are authorized by the articles.

63. *Non-recognition of Trusts.* The Corporation shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not, except as ordered by a court of competent jurisdiction or as required by statute, be bound to see to the execution of any trust, whether express, implied or constructive, in respect of any share or to recognize any claim to or interest in such share on the part of any person other than the registered holder thereof.

64. *Joint Shareholders.* If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof and for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such shares.

Dividends

65. *Dividends.* The board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. A dividend payable in cash shall be paid by cheque in the amount of the dividend (less any tax required to be deducted) to the order of each registered holder of shares of the class in respect of which it has been declared and mailed by ordinary mail, postage prepaid, to such registered holder at his last address appearing on the records of the Corporation. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and, if more than one address appears on the books of the Corporation in respect of such joint holding, the cheque shall be mailed to the first address so appearing. The mailing of such cheque as aforesaid shall satisfy and discharge all liability for the dividend to the extent of the sum represented thereby (plus any tax deducted as aforesaid), unless such cheque be not paid on due presentation. In the event of non-receipt of any cheque for a dividend by the person to whom it is so sent as aforesaid or of the loss thereof, the Corporation, on proof of such non-receipt or loss and upon receiving satisfactory indemnity, shall issue to such person a replacement cheque for a like amount.

66. *Record Date for Dividends and Rights.* The board may fix in advance a date preceding by not more than 31 days the date for the payment of any dividend, or for the allotment or issue of any right to subscribe for shares or other securities of the Corporation, as the record date for the determination of the shareholders entitled to the payment of such dividend or to the allotment or issue of such right, and in every such case only such persons as shall be shareholders of record on the record date shall be entitled to receive such dividend or to be allotted or issued the right to subscribe for such shares or other securities.

67. *Unclaimed Dividends.* Any dividend unclaimed after a period of six years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

Notices

68. *Method of Giving.* Any notice, communication or other document to be given or sent by the Corporation to a shareholder, director, officer, or auditor of the Corporation under any provision of the articles or by-laws of the Corporation or of the Act shall be sufficiently given or sent if it is:

- (a) delivered personally to the person to whom it is to be given or sent ;
- (b) delivered to his latest address as shown on the records of the Corporation ;
- (c) mailed by prepaid ordinary or air mail in a sealed envelope addressed to him at such address ; or
- (d) sent to him at such address by any form of prepaid transmitted or recorded communication.

A notice, communication or document delivered personally or delivered to the address aforesaid shall be deemed to have been given or sent when it is so delivered ; a notice, communication or document so mailed shall be deemed to have been given or sent when deposited in a post office or public letter box ; and a notice sent by any form of transmitted or recorded communication shall be deemed to have been given or sent when despatched or delivered to the appropriate communications agency or its representative for despatch. Where, on three consecutive occasions, notices, communications or other documents have been mailed to a shareholder at his latest address as shown on the records of the Corporation and where, on three consecutive occasions, notices, communications or other documents have been returned by the post office to the Corporation, the Corporation shall not be required to mail to the shareholder any further notices, communications or other documents until such time as the Corporation receives written notice from the shareholder requesting that notices, communications or other documents be sent to the shareholder at a specified address. The secretary may change the address of any person on the records of the Corporation in accordance with any information believed by him to be reliable.

69. *Computation of Time.* In computing the date when notice must be given pursuant to any requirement for a specified number of days' notice of any meeting or other event, the date on which the notice is given shall be included and the date of the meeting or other event shall be excluded.

70. *Omissions and Errors.* The accidental omission to give any notice to any shareholder, director, officer or auditor or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

71. *Notice to Joint Shareholders.* Any notice with respect to a share registered in more than one name may, if more than one address appears on the records of the Corporation in respect thereof, be given to the holders of such share at the first address so appearing, and notice so given shall be sufficient notice to all such holders.

72. *Persons Entitled by Death or Operation of Law.* Every person who by death of a shareholder, operation of law, transfer, or any other means whatsoever, shall become entitled to any share of the Corporation shall be bound by every notice in respect of such shares which, prior to his name and address being entered on the records of the Corporation, shall have been duly given to the person from whom he derived his title to such share (whether such notice was given before or after the happening of the event upon which he became so entitled).

73. *Waiver of Notice.* Any person entitled to receive a notice required to be given by the Corporation under the articles or by-laws of the Corporation or the Act, or the nominee appointed by proxy of a shareholder so entitled, may waive such requirement and such waiver, whether given before or after the meeting or other event of which notice is required to be given, shall cure any error, omission or default in giving such notice."

Irwin Toy Limited Annual Report

for the year ended January 31, 1974

AR16



The Irwin Toy History

Irwin Toy Limited is a good example of how a family business can prosper under Canadian ownership. It was founded by a mother and father in the mid-twenties, is currently managed by their children, assisted by their grandchildren, and shares are owned by whole families of children.

It is the only public toy company in Canada. It produces more than 11 million toys annually in its own plants, and it imports about as many more.

Mr. & Mrs. Samuel B. Irwin founded both their business and their family in Toronto in 1926. Their home served as office, warehouse and nursery. Business and the family doubled the next year, when their second son arrived.

It is a good Canadian story of teamwork paying off; the father out selling all week; the mother doing the homework – bookkeeping, housework and mothering her children; and the usual elations and heartaches of a devoted young couple striving for success.

After surviving a major depression and a world war, and as the 1950's faded into the 1960's, new developments were started that created the Irwin group of companies.

New companies were added to increase depth and diversification to Irwin marketing, on the theory that a wider range of products, sold through a wider range of outlets, would produce more sales.

New items, together with many old standbys, enabled the Irwins to greatly expand their outlets. Whereas they previously had sold mostly through souvenir, gift and toy departments, they now market over 500 different items through all types of toy and games retailers, as well as hardware, cigar, novelty, sporting goods, candy, and infants' stores, and through several sections of the big department stores.

The Company's water safety and fire prevention activities through TV stations, in co-operation with the Canadian Red Cross Society and Canadian Fire Chiefs and Marshalls, have been acclaimed all across the country for contributing to the safety of youngsters.

Financial Highlights

	1974	1973
Total assets	\$12,337,588	\$ 9,170,254
Net sales—Irwin Toy	\$12,490,358	\$11,172,882
Net sales—Irwin Toy and Joint Ventures	\$24,111,731	\$21,721,653
Net earnings	\$ 630,046	\$ 1,212,158
Retained earnings	\$ 4,937,978	\$ 4,674,352
Earnings per share	\$0.26	\$0.50
Working capital	\$ 3,296,679	\$ 3,343,057
Shareholders' equity	\$ 5,808,338	\$ 5,522,162
Number of shares outstanding	2,442,800	2,439,000

Report to the Shareholders

In common with many Canadian businesses, your Company encountered problems resulting from inflation during the year ended January 31, 1974. While sales were 11 % higher, net profits were \$630,046 compared to \$1,212,158 for the previous year.

The main reason for the decline in profits was the rapidly rising costs of material, labour and overhead experienced during the year. Since prices for the large part of the Company's output are set at the Spring Toy Show, it was not possible to pass on to the customer much of the higher costs by way of increased selling prices. As a result, much narrower trading profit margins were experienced.

Although prices were increased in mid-summer, many customers under buying quotas, were unable to reorder in the final quarter of the year. Similar conditions prevailed for the joint venture companies and served to reduce their profits in which your Company has 50 % interest. However, management raised prices substantially for our 1974 Toy Show and in May advised the trade of another selective increase effective retroactively on all orders.

The Company has adopted procedures in making its quarterly financial reports to shareholders which will reflect quickly changing costs.

A number of conditions prevailed during the year which resulted in a substantial increase in year-end inventories. The production or purchase cost of all goods increased substantially. The shortfall in reorder sales left excess quantities of goods in inventory which should be eliminated by alterations now made in production and market planning. The wholesale division, which features goods for the souvenir and tourist trade, has been increasing, as also has the output of Gym Dandy outdoor swings. Both these lines require availability of goods for Spring delivery, necessitating accumulation in the latter part of the year. The planned reduction in the substantial inventory, much of it acquired at lower-than-present replacement cost, will contribute to trading profit margins in the ensuing year.

Federal government regulations with respect to television advertising proved troublesome during the past year and may occasion changes in future plans. Television advertising has been an important feature in the sale of many of the Company's toys. TV advertising as applied to toys has come under increasing governmental restriction, which will likely result in a lesser use of this medium by the Company. The costs per minute of TV advertising have increased by 50 %.

During the year the Company moved into its new modern warehouse and distribution centre at North Queen Street,

Report to the Shareholders

Etobicoke, vacating several temporary locations. The new facilities enable more rapid and efficient shipment than ever before. The Company's operations were not disrupted by the move and moving costs were absorbed in the expenses of the year.

A new division has been formed with Ideal Toy, U.S.A., to manufacture and market above-the-ground swimming pools in Canada. Sales orders received on this new line have been exceptionally good.

Orders booked at the 1974 Toy Show were 17% above 1973. Wholesale division orders received to April 30, 1974, are 40% above 1973 comparative bookings. Despite the economic uncertainties in the marketplace, and possible future cost increases, management's expectations for the forthcoming year are positive because of the enthusiastic response to our products at the Canadian Toy Show and the recognition by our customers that cost increases must be passed on in the form of higher prices.

On behalf of the Directors and Officers, I want to gratefully acknowledge the contribution made by all employees of the Company. Management is concerned with the satisfaction they derive from their daily tasks, just as it is with the satisfaction of the children who receive and play with our products.

A. B. Irwin
President



Toronto, Ontario
May 22, 1974





1 Skilled fingers produce some 11 million Irwin toys and games each year; 450 different items to satisfy all ages.

2 Gym-Dandy swings, gliders, slides and other home play products, now made in our new building, last for generations.

3 We have outgrown three computers in the last eight years. The fourth, a bigger and faster one, will be installed in September.





2



1 The new warehouse has almost 1½ miles of steel shelving and narrow-aisle, double-reach trucks to stock goods up to the 24' ceiling.

2 Cartons are placed on automatic conveyers, as they come off the production lines, to be sealed automatically and to travel 700 ft. without being touched by human hands.

3 Sixteen shipping docks and accommodation for freight cars inside the new building, assure fast, efficient handling of goods.





1 Children just love the Snoopy Toothbrush, a sell-out last year. It has been joined by the Mickey Mouse Toothbrush and the Snoopy Pencil Sharpener.

2 Evel Knievel Stunt Cycle and other items rank high on The Hit Parade. His high flying cycle does wheelies, jumps and flips.

3 An eager little girl is all eyes as her mother purchases Grover, the Sesame Street hand puppet.





1 Daisy Dolls have a variety of smart Mary Quant outfits to wear. They are low in price and high in play value.

2 This little lad is completely absorbed while learning to assemble and create with his Tinkertoy.

Statements of earnings

Year ended January 31, 1974

	CONSOLIDATED (note 2)		COMBINED (note 2)	
	1974	1973	1974	1973
Gross sales of products and services	\$13,116,217	\$11,776,324	\$25,697,071	\$23,120,797
Sales tax	625,859	603,442	1,585,340	1,399,144
Net sales of products and services	12,490,358	11,172,882	24,111,731	21,721,653
Cost of products and services, selling, distribution and administrative expenses	11,364,262	9,180,129	22,510,470	18,645,890
Depreciation	159,829	95,163	197,354	111,527
Interest on long-term debt	34,041	38,855	34,041	38,855
	11,558,132	9,314,147	22,741,865	18,796,272
Earnings before income taxes	932,226	1,858,735	1,369,866	2,925,381
Income taxes:				
Current	321,000	917,000	503,000	1,442,800
Deferred	109,000	—	109,000	—
	430,000	917,000	612,000	1,442,800
Earnings before undernoted	502,226	941,735	757,866	1,482,581
Equity in net earnings of companies 50% owned (note 2 (c)(i))	127,820	270,423	—	—
Equity in net earnings of companies 50% owned attributable to other shareholders (note 2 (c)(ii))	—	—	127,820	270,423
Net earnings for the year	\$ 630,046	\$ 1,212,158	\$ 630,046	\$ 1,212,158
Net earnings per share	\$0.26	\$0.50	\$0.26	\$0.50

Consolidated statement of retained earnings

Year ended January 31, 1974

	1974	1973
Retained earnings at beginning of year	\$4,674,352	\$3,827,531
Net earnings for the year	630,046	1,212,158
	5,304,398	5,039,689
Dividends—Class 'A' and Class 'B' convertible common shares	344,253	365,337
15% tax paid on 1971 undistributed income	22,167	—
	366,420	365,337
Retained earnings at end of year	\$4,937,978	\$4,674,352

Consolidated balance sheet

As at January 31, 1974

	1974	1973
ASSETS		
Current:		
Cash	\$ 11,296	\$ 1,515
Short-term deposits and temporary investments	116,099	478,284
Accounts receivable	2,462,965	2,219,951
Inventories, at lower of cost or net realizable value	6,619,095	3,824,748
Prepaid expenses	225,415	137,710
	9,434,870	6,662,208
Life Insurance , cash surrender value	178,531	149,503
Investments:		
Joint venture companies 50% owned (note 2)	1,137,229	1,309,409
Other	6,150	6,150
Fixed:		
Land, buildings, plant and equipment at cost less accumulated depreciation of \$660,314 (1973-\$500,485)	1,580,808	1,042,984
	\$12,337,588	\$9,170,254
LIABILITIES		
Current:		
Bank indebtedness (secured)	\$ 3,416,901	\$1,085,435
Accounts payable and accrued liabilities	1,868,917	1,648,465
Income and other taxes payable	745,825	479,511
Current portion of long-term debt	106,548	105,740
	6,138,191	3,319,151
Long-term debt (note 3)	282,059	328,941
Deferred income taxes	109,000	—
SHAREHOLDERS' EQUITY		
Capital stock (note 4)		
Issued and fully paid—		
1,471,077 Class 'A' convertible common shares without par value		
971,723 Class 'B' convertible common shares without par value		
2,442,800 shares (1973-2,439,000 shares)	840,667	818,117
Contributed surplus	29,693	29,693
Retained earnings	4,937,978	4,674,352
	5,808,338	5,522,162
	\$12,337,588	\$9,170,254

Approved on behalf of the Board:

A. B. IRWIN, Director



L. BOARETTI, Director



Consolidated statement of source and application of funds

Year ended January 31, 1974

	1974	1973
Source of funds:		
Net earnings for year	\$ 630,046	\$1,212,158
Deduct: Equity in net earnings of companies 50% owned	127,820	270,423
	502,226	941,735
Dividends received from companies 50% owned	300,000	—
Depreciation on fixed assets	159,829	95,163
Deferred income taxes	109,000	—
Subsidiary-working capital on acquisition net of investment during year	—	33,983
Shares issued	22,550	93,575
	1,093,605	1,164,456
Application of funds:		
Increase in cash surrender value of life insurance	29,028	28,268
Plant and equipment additions	697,653	91,777
Decrease in long-term debt	46,882	80,059
Dividends	344,253	365,337
15% tax paid on 1971 undistributed income	22,167	—
	1,139,983	565,441
Increase (decrease) in working capital for year	(46,378)	599,015
Working capital at beginning of year	3,343,057	2,744,042
Working capital at end of year	\$3,296,679	\$3,343,057



Notes to financial statements

As at January 31, 1974

1. Companies included

All the financial statements contain the accounts of the Company and its wholly owned subsidiary, Transogram Canada Limited. The 'combined' statement of earnings also contains the accounts of joint venture companies 50% owned as outlined in note 2(c)(ii).

2. Joint venture companies 50% owned

(a) The Company owns one-half of the shares of Ideal Toy Company of Canada, Ltd., Kenner Products (Canada) Limited and Tyco Canada, Limited. These companies are of a joint venture nature. The Company provides the facilities and personnel for management, administration, manufacturing, sales and distribution. Other shareholders provide research, development, production tooling and consulting services.

(b) The Company's investment in the joint venture companies 50% owned is reflected in the balance sheet at its equity in their underlying net tangible assets.

(c) The statements of earnings reflect the earnings of these companies on two different bases:

(i) Consolidated statement:

The Company's share of net earnings of the joint venture companies 50% owned has been included in this statement on the equity method as a single item 'Equity in net earnings of companies 50% owned'. This treatment is in accordance with generally accepted accounting principles.

(ii) Combined statement:

In this statement the accounts of the Company and its wholly-owned subsidiary are combined with the accounts of the joint venture companies 50% owned on a fully integrated basis. The net earnings attributable to the other joint venture shareholders reduce the combined earnings and are reflected as 'Equity in net earnings of companies 50% owned attributable to other shareholders'. It is the opinion of management that as the Company, its subsidiary and the joint venture companies 50% owned operate together as a group, the results of operations are better disclosed on a combined basis.

The net earnings for the year are the same on both methods of presentation.

3. Long-term debt

	1974	1973
7½% first mortgage due 1987	\$235,607	\$245,681
9% mortgage due 1976	93,000	129,000
Mortgage due to shareholders	60,000	60,000
	388,607	434,681
Less: Current portion due within one year	106,548	105,740
	\$282,059	\$328,941

The 9% mortgage loan is secured on land, building, machinery and equipment and other assets.

On the foregoing long-term debt, aggregate payments of principal required in each of the next five years are as follows: \$106,548 in 1975, \$47,236 in 1976, \$33,515 in 1977, \$13,108 in 1978, \$14,054 in 1979.

4. Capital stock

(a) Authorized

Prior to June 28, 1973, the authorized capital stock consisted of 6,000,000 shares of one class only.

By articles of amendment dated June 28, 1973, the authorized capital stock was changed to:

- 6,000,000 Class 'A' convertible common shares without par value.
- 6,000,000 Class 'B' convertible common shares without par value.
- 1,000 Class 'C' common shares without par value.

The Class 'A' convertible common shares and Class 'B' convertible common shares are fully voting and full equity shares, and are convertible into each other on a one-for-one basis and rank equally in all respects. The only distinction between the two classes of shares is that the directors may, in declaring a dividend on the Class 'B' shares, specify that the dividend shall be paid out of tax-paid undistributed surplus in which case the Company pays a tax of 15%, and the amount of the dividend received by the Class 'B' shareholders is 85% of the amount of the ordinary dividend received at the same time by the Class 'A' shareholders.

Auditors' report

(b) Employees' options

In 1969, the Company reserved 120,000 unissued shares for the purpose of granting to certain officers and employees options to purchase shares of the Company at the market price of the shares on the date of granting of the option exercisable not later than five years from the option date. Under this plan a total of 42,800 shares were issued to January 31, 1974, of which 3,800 shares were issued for \$22,550 during the fiscal year ended January 31, 1974. At January 31, 1974, options were outstanding as follows:

8,600 shares at \$4 $\frac{3}{4}$ per share, expiring May 2, 1974.

39,200 shares at \$10 $\frac{3}{8}$ per share, expiring May 5, 1977.

5. Remuneration of directors and senior officers

The aggregate direct remuneration of directors and senior officers of the Company for the year ended January 31, 1974 was \$166,716 (1973—\$192,065).

6. Future commitment

During the year, the Company entered into a 12 year lease for warehouse premises requiring gross annual payments of approximately \$415,000.

Auditors' report

To the Shareholders of Irwin Toy Limited

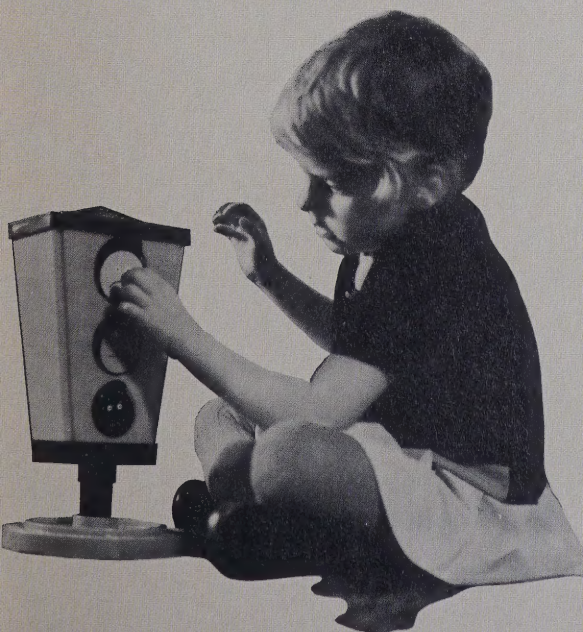
We have examined the consolidated balance sheet of Irwin Toy Limited and subsidiary company as at January 31, 1974 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at January 31, 1974, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We have also examined the combined statement of earnings for the year ended January 31, 1974. In our opinion this combined statement presents fairly the results of the operations as described in note 2(c)(ii) on a basis consistent with that of the preceding year.

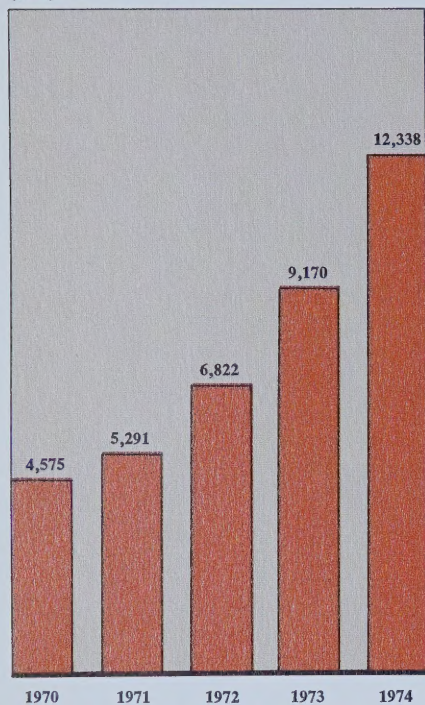
Toronto, Ontario.
May 14, 1974.

HARBINSON, GLOVER & CO.
Chartered Accountants.

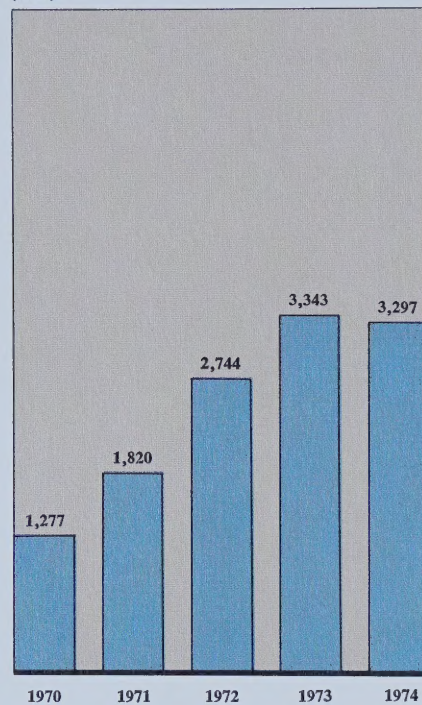


Significant comparisons

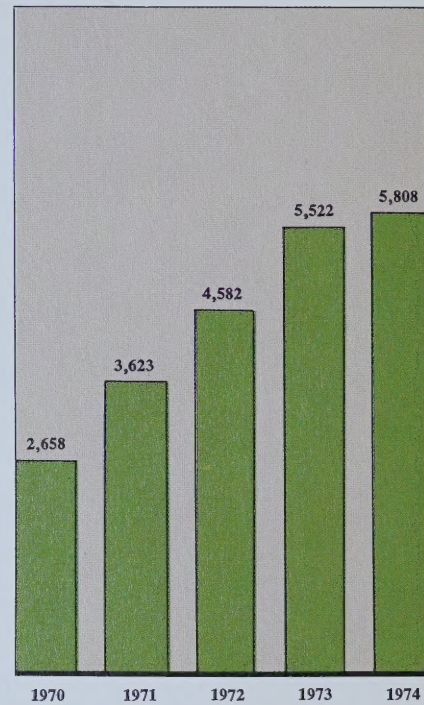
Total assets
(\$000)



Working capital
(\$000)



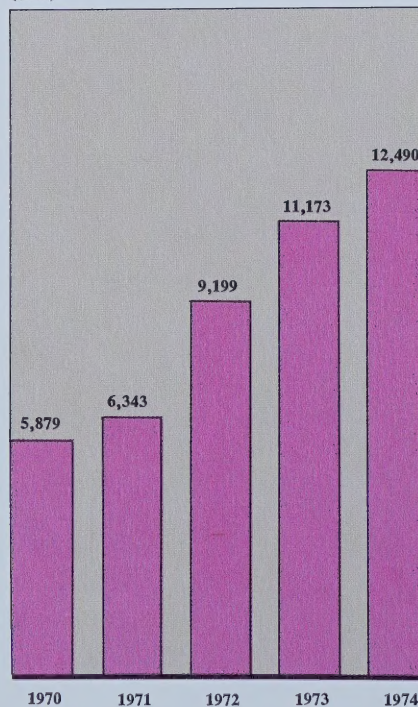
Shareholders' equity
(\$000)



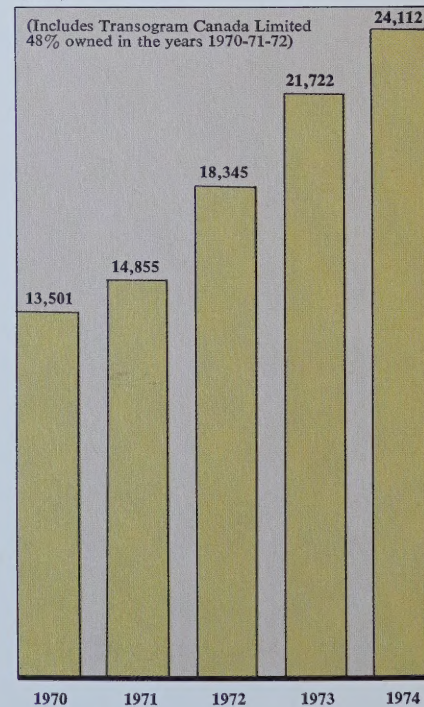
Earnings per share



Sales—Irwin Toy
(\$000)



Sales—Irwin Toy and Joint Ventures
(\$000)



Directors and officers

Directors

Louis Boaretti
Edward J. M. Huycke, Q.C.
Arnold B. Irwin
Beatrice I. Irwin
S. Macdonald Irwin
C. Edward Medland

Officers

Arnold B. Irwin, President
S. Macdonald Irwin,
Executive Vice-President
Louis Boaretti, Vice-President
Finance, and Secretary
John Chilvers, Vice-President and
General Manager—Wholesale Division
Jack Dyson, Vice-President—Sales

Auditors

Harbinson, Glover & Co., Toronto

Solicitors

Osler, Hoskin & Harcourt, Toronto

Transfer Agent and Registrar

The Royal Trust Company—
Montreal, Toronto, Winnipeg,
Calgary and Vancouver

Irwin products

Baby toys and mobiles
Pre-school toys
Toys, games and building sets
Kiddie furniture
Hobbies and crafts
Dolls and plush toys
Train and road race sets
Backyard swings, slides and sandboxes
Sporting goods and sports games
Inflatable mats, pools, boats and novelties
Swim fins, snorkels and masks
Above ground pools and accessories

**Diane Lott is the original
member of The Irwin Toy Junior
Shareholders' Club, which now
has more than 300 members.**





IRWIN TOY LIMITED
43 Hanna Avenue, Toronto